

Joint Audit and Governance Committee

Report of Interim Head of Finance

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To: **Joint Audit and Governance Committee; Cabinet; Council**

DATE: 26 November by Joint Audit and Governance Committee
3 December (S) / 4 December (V) by Cabinet
10 December (S) / 9 December (V) by Council



Treasury management mid-year monitoring report 2020/21

Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management mid-year monitoring report 2020/21.
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:

3. considers any comments from Joint Audit and Governance Committee and recommends council to approve the report.

Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that each council's prudential indicators are reported to their respective council mid-year (i.e. as at 30 September). The report provides details of the treasury activities for the first six months of 2020/21 and an update on the current economic conditions with a view to the remainder of the year.

Strategic objectives

2. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's strategic objectives.

Background

Treasury management

3. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).
4. The primary requirements of the Code are as follows:
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-Year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
 - An economic update for the first part of the 2020/21 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Councils' investment portfolio for 2020/21;
 - A review of the Councils' borrowing strategy for 2020/21;
 - A review of compliance with Treasury and Prudential Limits for 2020/21.
6. The first main function of the treasury management service is to ensure the councils' cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return. The Treasury Management Strategy determines to whom the council can lend, and this is the manifestation of its risk appetite.
7. The second main function of the treasury management service is to ensure funding for the Councils' capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Councils can meet their capital spending operations. This management of longer-

term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet risk or cost objectives.

8. Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

9. The 2020/21 treasury management strategy was approved by each council in February 2020. This report summarises the treasury activity and performance for the first six months of 2020/21 against those prudential indicators and benchmarks set for the year. It also provides an opportunity to review and subsequently revise limits if required. Full council is required to approve this report and any amendments to the Treasury Management Strategy.

Treasury activity

10. The mid-year performance of the two councils is summarised in the tables below¹.

| | South | Treasury investments £000 | Non treasury loan £000 | Sub Total £000 | Property investment £000 | Overall total £000 |
|---|-----------------------------|------------------------------|---------------------------|-------------------|-----------------------------|-----------------------|
| 1 | Average investment balance | 160,759 | 15,000 | 175,759 | 7,763 | 183,522 |
| 2 | Budgeted investment income | 980 | 311 | 1,291 | | 1,291 |
| 3 | Actual investment income | 785 | 312 | 1,097 | 379 | 1,476 |
| 4 | surplus/(deficit) (3) - (2) | (195) | 1 | (194) | | 184 |
| 5 | Annualised rate of return | 0.98% | 4.16% | 1.25% | 9.76% | 1.61% |

| | Vale | Treasury investments £000 | Property investment £000 | Overall total £000 |
|---|-----------------------------|------------------------------|-----------------------------|-----------------------|
| 1 | Average investment balance | 108,860 | 6,201 | 115,061 |
| 2 | Budgeted investment income | 417 | | 417 |
| 3 | Actual investment income | 575 | 109 | 684 |
| 4 | surplus/(deficit) (3) - (2) | 158 | | 267 |
| 5 | Annualised rate of return | 1.06% | 3.51% | 1.19% |

The forecast outturn position as at September 2020, based on known investments and maturities and an estimate for future earnings is shown in the table below:

| | South Oxfordshire District Council | Vale of White Horse District Council |
|---------------------------|------------------------------------|--------------------------------------|
| Annual budget as per MTFP | £2,582,720 | £833,350 |
| Forecast outturn | £2,304,489 | £978,376 |
| Variance against budget | (£278,231) | £145,026 |
| Borrowing | Nil | Nil |

¹ For property, the balance shown is the fair value of investment properties as at 31 March 2020.

11. The Councils remain restricted regarding financial institutions meeting their investment criteria. When it is possible, investments will be placed with highly rated institutions for a longer duration with a view to increasing the weighted average maturity of the portfolio, but this has meant that overall, there are less suitable counterparties available to the councils to deposit with.
12. **SODC.** The latest estimate is that income receivable on cash investments will be below budget by £0.3 million. This is due to the fall in interest rates since the coronavirus pandemic began.
13. **VWHDC.** The latest estimate is that income receivable on cash investments will be above budget by £0.1 million. This is due to investments made at higher interest rates than we have seen since the coronavirus pandemic began.
14. As SODC has more reserves to invest, it has more maturities during the year. This has resulted in reinvestment at much lower interest rates since April, unlike VWHDC, whose investments mature later in the year, and will therefore take advantage of the higher rates for longer.

Performance measurement

15. A list of investments as at 30 September is shown in Appendices A1 and A2.
16. The councils' performance against benchmarks for the first six months of the year are detailed in Appendices A3 and A4. All investments were with approved counterparties. The average return on these investments is shown above in the table at paragraph 10.
17. On 31 March 2020 the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.
18. As a result of the levels of government grant funding and a postponement of capital projects due to the Covid-19 pandemic in the first six months of the year, the councils found their counterparty limits insufficient to place investments. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.
19. During October the counterparty limits for the institutions in the table below were increased. These increased limits did not apply for the first six months of this year.

| Counterparty | Amount required | |
|------------------------------------|-----------------|--------------|
| | £mil South | £mil Vale |
| Skipton Building Society | 0 | 3 |
| West Bromwich Building Society | 3 | 3 |
| Newcastle Building Society | 3 | 3 |
| Nottingham Building Society | 3 | 3 |
| National Counties Building Society | 3 | 3 |
| Progressive Building Society | 3 | 3 |
| Monmouthshire Building Society | 3 | 3 |
| Furness Building Society | 3 | 3 |

Treasury management limits on activity

20. Each council is required by the Prudential Code to report on the limits set each year in their respective Treasury Management Strategies. The purpose of these limits is to ensure that the activity of the treasury functions remain within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The performance against the limits for both councils are shown in appendices B1 and B2.

Debt activity during 2020/21

21. During the first six months of 2020/21 there has been no need for either of the councils to borrow. The Interim Head of Finance will continue to take a prudent approach to the councils' debt strategies. The prudential indicators and limits set out in appendices B1 and B2 provide the scope and flexibility for either of the councils to borrow in the short-term up to the maximum limits, if ever such a need arose within the cash flow management activities of the authority in order to achieve its service objectives.

Negative interest rates

22. While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, as with our councils, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis, causing sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.
23. As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

24. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.
25. Although the Bank of England has seemingly ruled out using negative interest rates for now, it has recently written to all UK banks and building societies, as well as large international banks and insurers, asking them to identify any operational challenges associated with implementation of zero or negative bank rate. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including quantitative easing (QE) and forward guidance.
26. A move to negative interest rates will see treasury investment income fall. We are predicting that South will not reach their budgeted income levels for this year due to the drop in interest rates already experienced, and both councils will see a reduction in investment income in future years that will need to be built into future years budgets.
27. There is a risk that the cash the councils hold short term for working capital will attract nominal interest charges. However, we will mitigate this risk by investing the remaining balances longer term where possible, and also potentially making more use of notice accounts.
28. We will continue to maintain a close dialogue with our treasury advisors (Link Treasury Services) and we will continue to work pro-actively in accordance with our treasury strategy to minimise any adverse impact on investment returns that may result in the event of bank rate becoming negative.

Interest rate forecast and economic forecast

29. The Council’s treasury advisor, Link Treasury Services, has provided the following forecast:

| Interest forecast September 2020 | | | | | | | | |
|---|--------------------------|-----------------------|----------------------|---------------------------|--------------------------|-----------------------|----------------------|---------------------------|
| | December 2020 | March 2020 | June 2021 | September 2021 | December 2021 | March 2021 | June 2022 | September 2022 |
| Bank rate | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 6 month LIBID | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | - | - |
| 12 month LIBID | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | - | - |
| 5yr PWLB | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 |
| 10yr PWLB | 2.10 | 2.10 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 |
| 25 yr PWLB | 2.50 | 2.50 | 2.50 | 2.60 | 2.60 | 2.60 | 2.70 | 2.70 |
| 50 yr PWLB | 2.30 | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 |

30. The fall in GDP in the first half of 2020, as a result of the COVID-19 pandemic, of 28 per cent was revised downwards to 23 percent. This is still one of the largest falls in output of any developed nation but is only to be expected as the UK economy is heavily skewed towards consumer facing services, which were particularly vulnerable to being damaged by lockdown.

31. The Monetary Policy Committee (MPC) still expects the £300 billion of QE purchases announced between the March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4 billion a week, down from £14 billion a week at the height of the crisis and £7 billion more recently.
32. The pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer-term adjustments as office space and travel by planes, trains and buses may not recover their previous level of use for several years or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

Financial Implications

33. These are covered in the body of the report.

Legal implications

34. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CLG Local Government Investment Guidance provides assurance that the council’s investments are, and will continue to be, within its legal powers.

Administration

35. On 1 April 2020 the treasury management function was brought back in house. Prior to this, it was managed by Capita.

Conclusion

36. This report provides details of the treasury management activities for the period 1 April 2020 to 30 September 2020 and the mid-year prudential indicators to each respective council.
37. This report also provides the monitoring information for joint audit and governance committee to fulfil its role of scrutinising treasury management activity at each council.

Background papers

- CIPFA Code of Practice on Treasury Management 2017
- CIPFA Prudential Code 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory investment guidance where it has been updated in 2018 (English local authorities)
- Statutory MRP guidance where it has been updated in 2018 (English local authorities)

- Treasury Management Investment Strategy 2020/21 (South Oxfordshire & Vale of White Horse, February 2020)

Appendices

- A1 – SODC List of investments as at 30 September 2020
- A2 – VWHDC List of investments as at 30 September 2020
- A3 – SODC Performance against benchmark
- A4 – VWHDC Performance against benchmark
- B1 – SODC Prudential Indicators
- B2 – VWHDC Prudential Indicators
- C1 – Note on Prudential Indicators

South Oxfordshire

| Investments as at 30 September 2020 | | | | | | |
|--|---------------------|------------------------|----------------------|--|------------------|-----------------|
| Counterparty | Deposit type | Investment date | Maturity date | Remaining investment duration in days | Principal | Rate (%) |
| Cambridge BS | Fixed | 02-Oct-19 | 01-Oct-20 | 1 | 3,000,000 | 1.15% |
| Progressive Building Society | Fixed | 22-Oct-19 | 21-Oct-20 | 21 | 1,000,000 | 1.10% |
| Cambridge BS | Fixed | 01-Nov-19 | 30-Oct-20 | 30 | 2,000,000 | 1.15% |
| Progressive Building Society | Fixed | 01-Nov-19 | 30-Oct-20 | 30 | 2,000,000 | 1.10% |
| Newbury Building Society | Fixed | 04-Nov-19 | 03-Nov-20 | 34 | 1,000,000 | 1.10% |
| West Bromwich Building Society | Fixed | 06-Nov-19 | 05-Nov-20 | 36 | 2,000,000 | 1.03% |
| West Bromwich Building Society | Fixed | 08-Nov-19 | 06-Nov-20 | 37 | 2,000,000 | 1.03% |
| Close Brothers | Fixed | 27-Nov-19 | 29-Nov-21 | 425 | 3,000,000 | 1.30% |
| Nottingham Building Society | Fixed | 13-Dec-19 | 11-Dec-20 | 72 | 3,000,000 | 0.90% |
| Goldman Sachs International Bank | Fixed | 18-Dec-19 | 16-Dec-20 | 77 | 2,000,000 | 1.02% |
| Close Brothers | Fixed | 16-Mar-20 | 16-Mar-21 | 167 | 2,000,000 | 1.00% |
| Close Brothers | Fixed | 18-Mar-20 | 18-Mar-21 | 169 | 2,000,000 | 1.00% |
| Coventry CC | Fixed | 02-Apr-20 | 01-Apr-21 | 183 | 5,000,000 | 0.95% |
| Wokingham BC | Fixed | 02-Apr-20 | 01-Apr-21 | 183 | 5,000,000 | 1.90% |
| National Counties Building Society | Fixed | 02-Apr-20 | 01-Apr-21 | 183 | 2,500,000 | 1.18% |
| Close Brothers | Fixed | 03-Apr-20 | 06-Apr-21 | 188 | 2,000,000 | 1.00% |
| Close Brothers | Fixed | 09-Apr-20 | 09-Apr-21 | 191 | 2,000,000 | 1.00% |
| National Counties Building Society | Fixed | 01-May-20 | 30-Apr-21 | 212 | 1,000,000 | 1.16% |
| National Counties Building Society | Fixed | 25-Jun-20 | 24-Jun-21 | 267 | 2,000,000 | 0.57% |
| West Bromwich Building Society | Fixed | 01-Jul-20 | 01-Jul-21 | 274 | 4,000,000 | 0.50% |
| Principality Building Society | Fixed | 01-Jul-20 | 01-Jul-21 | 274 | 4,000,000 | 0.38% |
| Principality Building Society | Fixed | 02-Jul-20 | 16-Feb-21 | 139 | 4,000,000 | 0.29% |
| Principality Building Society | Fixed | 02-Jul-20 | 11-Mar-21 | 162 | 5,000,000 | 0.30% |
| West Bromwich Building Society | Fixed | 08-Jul-20 | 08-Jul-21 | 281 | 2,000,000 | 0.50% |
| Monmouthshire Building Society | Fixed | 09-Jul-20 | 09-Jul-21 | 282 | 1,000,000 | 0.40% |
| Progressive Building Society | Fixed | 15-Jul-20 | 15-Jul-21 | 288 | 2,500,000 | 0.42% |
| Monmouthshire Building Society | Fixed | 17-Jul-20 | 16-Jul-21 | 289 | 2,000,000 | 0.37% |
| Newcastle Building Society | Fixed | 06-Aug-20 | 11-Mar-21 | 162 | 4,000,000 | 0.34% |
| Nottingham Building Society | Fixed | 12-Aug-20 | 16-Feb-21 | 139 | 3,000,000 | 0.18% |
| Furness Building Society | Fixed | 19-Aug-20 | 19-Aug-21 | 323 | 2,000,000 | 0.45% |
| Thurrock BC | Fixed | 19-Aug-20 | 19-Jan-21 | 111 | 3,500,000 | 0.20% |
| Nottingham Building Society | Fixed | 21-Aug-20 | 21-Feb-21 | 144 | 2,000,000 | 0.17% |
| Newcastle Building Society | Fixed | 28-Aug-20 | 27-Aug-21 | 331 | 2,000,000 | 0.40% |
| Newcastle Building Society | Fixed | 28-Aug-20 | 27-Aug-21 | 331 | 2,000,000 | 0.40% |

South Oxfordshire Continued

| Investments as at 30 September 2020 | | | | | | |
|--|--------------|-----------------|---------------|---------------------------------------|--------------------|----------|
| Counterparty | Deposit type | Investment date | Maturity date | Remaining investment duration in days | Principal | Rate (%) |
| Furness Building Society | Fixed | 07-Sep-20 | 07-Sep-21 | 342 | 2,000,000 | 0.45% |
| Skipton Building Society | Fixed | 10-Sep-20 | 16-Feb-21 | 139 | 2,000,000 | 0.15% |
| Skipton Building Society | Fixed | 15-Sep-20 | 14-Sep-21 | 349 | 2,000,000 | 0.30% |
| Monmouthshire Building Society | Fixed | 16-Sep-20 | 16-Sep-21 | 351 | 3,000,000 | 0.35% |
| Skipton Building Society | Fixed | 15-Sep-20 | 15-Sep-21 | 350 | 2,000,000 | 0.30% |
| Furness Building Society | Fixed | 25-Sep-20 | 27-Sep-21 | 362 | 2,000,000 | 0.45% |
| Santander | Call * | | | | 401,256 | 0.10% |
| Royal Bank of Scotland | Call * | | | | 2,361 | 0.10% |
| Royal Bank of Scotland | Call * | | | | 96,483 | 0.10% |
| Goldman Sachs | MMF * | | | | 12,022,000 | 0.01% |
| Blackrock | MMF * | | | | 690,000 | 0.01% |
| Total short term cash investments (<1 yr duration) | | | | | 113,712,100 | |
| Metropolitan Housing Trust Ltd | Fixed | 12-Jul-19 | 12-Jan-21 | 104 | 2,000,000 | 1.45% |
| Kingston upon Hull City Council | Fixed | 15-Jan-14 | 15-Jan-21 | 107 | 2,000,000 | 2.50% |
| Close Brothers | Fixed | 14-Mar-19 | 15-Mar-21 | 166 | 3,000,000 | 1.50% |
| Close Brothers | Fixed | 29-Mar-19 | 29-Mar-21 | 180 | 1,000,000 | 1.50% |
| Royal Bank of Scotland | Fixed | 08-Apr-19 | 08-Apr-21 | 190 | 3,000,000 | 1.75% |
| Metropolitan Housing Trust Ltd | Fixed | 11-Apr-19 | 12-Apr-21 | 194 | 3,000,000 | 1.70% |
| Royal Bank of Scotland | Fixed | 15-Apr-19 | 15-Apr-21 | 197 | 3,000,000 | 1.78% |
| Places for People | Fixed | 10-May-19 | 10-May-21 | 222 | 2,000,000 | 1.70% |
| Places for People | Fixed | 25-Jun-19 | 25-Jun-21 | 268 | 3,000,000 | 1.70% |
| Bury MBC | Fixed | 18-Jul-16 | 19-Jul-21 | 292 | 5,000,000 | 1.50% |
| Lloyds Bank | Fixed | 23-Jul-19 | 23-Jul-21 | 296 | 2,000,000 | 1.30% |
| Royal Bank of Scotland | Fixed | 18-Feb-19 | 20-Feb-23 | 873 | 2,000,000 | 2.46% |
| Total long-term cash investments (>1 yr duration) | | | | | 31,000,000 | |
| CCLA | Property | | | | 6,830,639 | Variable |
| Legal & General Equities | Unit Trust | | | | 10,742,510 | Variable |
| Total Investments | | | | | 162,285,249 | |

* Rates are variable. Returns shown represent prevailing rates at end Q2 2020.

** Above figures exclude balance outstanding from Kaupthing Singer and Friedlander and SOHA loan

***Last year total investments: £157 million

Vale of White Horse District Council

| Investments as at 30 September 2020 | | | | | | |
|--|--------------|-----------------|---------------|---------------------------------------|--------------------|----------|
| Counterparty | Deposit type | Investment date | Maturity date | Remaining investment duration in days | Principal | Rate (%) |
| Cambridge Building Society | Fixed | 02/10/2019 | 01/10/2020 | 1 | 2,000,000 | 1.15% |
| Goldman Sachs International Bank | Fixed | 29/10/2019 | 29/10/2020 | 29 | 2,000,000 | 0.95% |
| Principality Building Society | Fixed | 15/11/2019 | 13/11/2020 | 44 | 1,500,000 | 0.95% |
| West Bromwich Building Society | Fixed | 15/11/2019 | 13/11/2020 | 44 | 1,500,000 | 1.03% |
| Monmouthshire Building Society | Fixed | 29/11/2019 | 30/11/2020 | 61 | 1,500,000 | 1.05% |
| Principality Building Society | Fixed | 29/11/2019 | 30/11/2020 | 61 | 500,000 | 1.00% |
| West Bromwich Building Society | Fixed | 29/11/2019 | 30/11/2020 | 61 | 1,000,000 | 1.00% |
| Newcastle Building Society | Fixed | 05/12/2019 | 07/12/2020 | 68 | 1,500,000 | 1.20% |
| Skipton Building Society | Fixed | 10/12/2019 | 10/12/2020 | 71 | 5,000,000 | 0.91% |
| Principality Building Society | Fixed | 13/12/2019 | 14/12/2020 | 75 | 2,000,000 | 1.00% |
| Skipton Building Society | Fixed | 03/01/2020 | 31/12/2020 | 92 | 2,000,000 | 0.90% |
| Kingston upon Hull City Council | Fixed | 15/01/2014 | 15/01/2021 | 107 | 2,000,000 | 2.50% |
| North Tyneside Council | Fixed | 17/01/2020 | 15/01/2021 | 107 | 2,500,000 | 0.95% |
| Lloyds Bank | Fixed | 28/01/2020 | 28/01/2021 | 120 | 10,000,000 | 1.10% |
| Newcastle Building Society | Fixed | 14/02/2020 | 15/02/2021 | 138 | 1,500,000 | 1.20% |
| Nottingham Building Society | Fixed | 17/08/2020 | 16/02/2021 | 139 | 3,000,000 | 0.18% |
| Cambridgeshire County Council | Fixed | 28/02/2019 | 26/02/2021 | 149 | 2,000,000 | 1.45% |
| Cumberland Building Society | Fixed | 15/07/2020 | 11/03/2021 | 162 | 3,000,000 | 0.24% |
| West Bromwich Building Society | Fixed | 08/09/2020 | 11/03/2021 | 162 | 500,000 | 0.20% |
| Southern Housing Group | Fixed | 19/03/2019 | 19/03/2021 | 170 | 5,000,000 | 1.60% |
| Newbury Building society | Fixed | 30/09/2020 | 22/03/2021 | 173 | 3,000,000 | 0.35% |
| National Counties Building Society | Fixed | 26/06/2020 | 25/06/2021 | 268 | 1,000,000 | 0.55% |
| Furness Building Society | Fixed | 26/06/2020 | 25/06/2021 | 268 | 3,000,000 | 0.65% |
| Progressive Building Society | Fixed | 26/06/2020 | 25/06/2021 | 268 | 3,000,000 | 0.55% |
| National Counties Building Society | Fixed | 27/07/2020 | 26/07/2021 | 299 | 1,000,000 | 0.55% |
| Cambridge Building Society | Fixed | 19/08/2020 | 18/08/2021 | 322 | 1,000,000 | 0.43% |
| National Counties Building Society | Fixed | 10/09/2020 | 09/09/2021 | 344 | 1,000,000 | 0.45% |
| Monmouthshire Building Society | Fixed | 10/09/2020 | 09/09/2021 | 344 | 1,000,000 | 0.35% |
| Principality Building Society | Fixed | 10/09/2020 | 09/09/2021 | 344 | 3,000,000 | 0.22% |
| Skipton Building Society | Fixed | 17/09/2020 | 17/09/2021 | 352 | 3,000,000 | 0.30% |
| LGIM | MMF * | | | | 220,000 | 0.01% |
| Goldman Sachs | MMF * | | | | 13,900,000 | 0.01% |
| Total short term cash investments (<1 yr duration) | | | | | 84,120,000 | |
| Metropolitan Housing Trust Ltd | Fixed | 11/04/2019 | 12/04/2021 | 194 | 2,000,000 | 1.70% |
| Places for People Homes Ltd | Fixed | 17/06/2019 | 17/06/2021 | 260 | 2,000,000 | 1.70% |
| Metropolitan Housing Trust Ltd | Fixed | 28/06/2019 | 28/06/2021 | 271 | 2,000,000 | 1.70% |
| Metropolitan Housing Trust Ltd | Fixed | 29/07/2019 | 29/07/2021 | 302 | 1,000,000 | 1.60% |
| Close Brothers Ltd | Fixed | 27/09/2019 | 27/09/2021 | 362 | 2,000,000 | 1.30% |
| Places for People Homes Ltd | Fixed | 31/10/2019 | 29/10/2021 | 394 | 1,000,000 | 1.70% |
| Close Brothers Ltd | Fixed | 18/11/2019 | 18/11/2021 | 414 | 2,000,000 | 1.30% |
| Worthing Borough Council | Fixed | 18/11/2019 | 18/11/2021 | 414 | 3,000,000 | 1.30% |
| Close Brothers Ltd | Fixed | 21/01/2020 | 21/01/2022 | 478 | 4,000,000 | 1.30% |
| Places for People Homes Ltd | Fixed | 19/02/2020 | 21/02/2022 | 509 | 2,000,000 | 1.80% |
| Close Brothers Ltd | Fixed | 05/03/2020 | 07/03/2022 | 523 | 2,000,000 | 1.30% |
| Total long-term cash investments (>1 yr duration) | | | | | 23,000,000 | |
| CCLA | Property | | | | 2,529,312 | variable |
| Total Investments | | | | | 109,649,312 | |

*Last year total investments: £100 million

South Oxfordshire District Council

| Investment returns achieved against benchmark | | | | |
|---|------------------|---------------|--------------------------------|-----------------------|
| | Benchmark Return | Actual Return | Growth (Below)/above Benchmark | Benchmarks |
| Bank & Building Society deposits - internally managed | 0.11% | 0.98% | 0.87% | 3 Month LIBID |
| Equities | 5.63% | 7.45% | 1.82% | FTSE All Shares Index |

- All benchmarks managed by the treasury team were met in the first six months of the year.

CCLA

| Annualised total return performance | | | |
|--|--------|---------|---------|
| Performance to 28 September 2020 | 1 year | 3 years | 5 years |
| The local authorities property fund | -3.47% | 3.64% | 4.79% |
| Benchmark - IPD property index | -3.08% | 3.59% | 5.04% |

- The CCLA investment is a long term holding. The above table shows the performance of the fund as a whole and the longer term performance should be used as a guide to returns achievable in the medium term.
- South invested £5 million into the fund and in the first six months of 2020/21, achieved a return of 4.48 per cent calculated as a ratio of income over the market value held as at 30 September 2020. This is not the same basis upon which the performance of the fund above is calculated.

Vale of White Horse District Council

| Investment returns achieved against benchmark | | | | |
|---|------------------|---------------|--------------------------------|---------------|
| | Benchmark return | Actual return | Growth (below)/above benchmark | Benchmarks |
| | % | % | % | |
| Internally managed - Bank & Building Society deposits | 0.11% | 1.06% | 0.95% | 3 month LIBID |

- All benchmarks managed by the treasury team were met in the first six months of the year.

CCLA

| Annualised total return performance | | | | |
|--|---------------|--------------|--------------|--|
| Performance to 28 September 2020 | 1 year | 3 years | 5 years | |
| The local authorities property fund | -3.47% | 3.64% | 4.79% | |
| Benchmark - IPD property index | -3.08% | 3.59% | 5.04% | |

- The CCLA investment is a long term holding. The above table shows the performance of the fund as a whole and the longer-term performance should be used as a guide to returns achievable in the medium term.
- Vale invested £2 million into the fund and in the first six months of 2020/21, achieved a return of 4.48 per cent calculated as a ratio of income over the market value held as at 30 September 2020. This is not the same basis upon which the performance of the fund above is calculated.

South Oxfordshire District Council

| Prudential indicators as at 30th September 2020 | | |
|--|---|---------------------------------------|
| | 2020/21 Original Estimate £m | Actual as at 30-Sep £m |
| Debt | | |
| Authorised limit for external debt | | |
| Borrowing | 30 | 0 |
| Other long term liabilities | 0 | 0 |
| | 30 | 0 |
| Operational boundary for external debt | | |
| Borrowing | 25 | 0 |
| Other long term liabilities | 0 | 0 |
| | 25 | 0 |
| Interest rate exposures | | |
| Maximum fixed rate borrowing | 100% | 0 |
| Maximum variable rate borrowing | 100% | 0 |
| Investments | | |
| Interest rate exposures | | |
| Limits on fixed interest rates | 100% | 81% |
| Limits on variable interest rates | 50 | 13 |
| Principal sums invested > 364 days | | |
| Upper limit for principal sums invested >364 days | 70 | 31 |

Vale of White Horse District Council

| Prudential indicators as at 30th September 2020 | | |
|--|---|---------------------------------------|
| | 2020/21 Original estimate £m | Actual as at 30-Sep £m |
| Authorised limit for external debt | | |
| Borrowing | 30 | 0 |
| Other long term liabilities | 5 | 0 |
| | 35 | 0 |
| Operational boundary for external debt | | |
| Borrowing | 25 | 0 |
| Other long term liabilities | 5 | 0 |
| | 30 | 0 |
| Interest rate exposures | | |
| Maximum fixed rate borrowing | 100% | 0 |
| Maximum variable rate borrowing | 100% | 0 |
| Investments | | |
| Interest rate exposures | | |
| Limits on fixed interest rates | 100% | 85% |
| Limits on variable interest rates | 50 | 14 |
| Principal sums invested > 364 days | | |
| Upper limit for principal sums invested >364 days | 40 | 23 |

Prudential indicators – explanatory note

Debt

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

Interest rate exposures

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

Investments

Interest rate exposure

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

Principal sums invested

This indicator sets a limit on the level of investments that can be made for more than 364 days.